

- d. The recreation/leisure groupings:
  - 1) Preferred: The home and local leisure companies and the resort/vacation companies (i.e., entertainment companies) taken from the companies that Value Line classifies as being in the Recreation Industry excluding Time-Warner and Gaylord due to their extensive cable television businesses.
  - 2) Alternate: All the companies that Value Line classifies as being in the Recreation Industry again except Time-Warner and Gaylord.
- 2. Calculate both the pre-tax overall cost of capital and the after-tax cost of common equity for each of the above groups (Preferred and Alternate) using the comparables method.
  - a. Result is the simple arithmetic average of historical and forecast data as published by Value Line.
  - b. Historical data are a five-year average ending in the most recently completed year (e.g., 1988 through 1992).
  - c. Forecast data are for a five-year ahead horizon is published by Value Line.
- 3. Two key assumptions are:
  - a. A 50/50 capital structure.

- b. A 40 percent effective business income tax rate.<sup>18</sup>
4. Four complete sets of estimates are calculated for the pre-tax overall cost of capital for cable television systems based on:
- a. The preferred group using after-tax cost of common equity estimates generated by the comparables analysis .
  - b. The alternate group using the after-tax cost of common equity estimate generated by the comparables analysis.
  - c. The preferred group using the pre-tax overall cost of capital generated by the comparables analysis.
  - d. The alternate group using the pre-tax overall cost of capital generated by the comparables analysis.
5. For each of the four sets of estimates, the following will be calculated.
- a. The average overall pre-tax cost of capital.
  - b. The standard deviation of the pre-tax overall cost of capital.<sup>19</sup>
  - c. The lower end of the acceptable range defined to be the average less one standard deviation.
  - d. The upper end of the acceptable range defined to be the average

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<sup>18</sup>This should be adjusted if federal or average state/local rates are changed.

<sup>19</sup>Alternatively, when the after-tax cost of common equity is estimated using the comparable approach, the standard deviation for this cost estimate can be derived instead.

plus one standard deviation.

5. The recommended pre-tax overall cost of capital for the cable television systems and the acceptable range around this recommended value are calculated as the average of the four sets of estimates produced using the two methods applied to the two groupings (Preferred or Alternate).

**HISTORICAL AND FORECAST AFTER-TAX RATE OF RETURN ON EQUITY  
FOR THE PREFERRED COMPARABLE GROUP SET**

<u>Group List</u>	<u>Five-Year Historical Average</u>	<u>Five-Year Forecast</u>	<u>Average</u>
S&P 70	14.50	17.50	16.00
Telco (12)	13.90	16.80	15.35
Broadcast	18.30	17.60	17.95
Leisure/Vacation	14.70	19.00	16.85
Average	15.35	17.73	16.54
Standard Deviation	1.73	0.80	0.97

**HISTORICAL AND FORECAST AFTER-TAX RATE OF RETURN ON EQUITY  
FOR THE ALTERNATE COMPARABLE GROUP SET**

<u>Group List</u>	<u>Five-Year Historical Average</u>	<u>Five-Year Forecast</u>	<u>Average</u>
S&P 70	14.50	17.50	16.00
Telco (All)	12.50	16.50	14.50
Broadcast	18.30	17.60	17.95
Recreation-2	13.00	17.90	15.45
Average	14.58	17.38	15.98
Standard Deviation	2.27	0.53	1.26

**HISTORICAL AND FORECAST PRE-TAX OVERALL RATE OF RETURN  
FOR THE PREFERRED COMPARABLE GROUP SET**

<u>Group List</u>	<u>Five-Year Historical Average</u>	<u>Five-Year Forecast</u>	<u>Average</u>
S&P 70	19.20	23.10	21.15
Telco (12)	15.10	17.30	16.20
Broadcast	17.80	22.50	20.15
Leisure/Vacation	23.40	20.90	22.15
Average	18.88	20.95	19.91
Standard Deviation	3.00	2.26	2.26

**HISTORICAL AND FORECAST PRE-TAX OVERALL RATE OF RETURN  
FOR THE ALTERNATE COMPARABLE GROUP SET**

<u>Group List</u>	<u>Five-Year Historical Average</u>	<u>Five-Year Forecast</u>	<u>Average</u>
S&P 70	19.20	23.10	21.15
Telco (All)	14.30	16.60	15.45
Broadcast	17.80	22.50	20.15
Recreation-2	21.20	20.90	21.05
Average	18.13	20.78	19.45
Standard Deviation	2.52	2.54	2.34

**AVERAGE 1992 DEBT COST FOR  
THE TWO SETS OF COMPARABLE GROUPS**

<u>Group List</u>	<u>Preferred Group</u>	<u>Alternate Group</u>
S&P 70	9.5	9.5
Broadcast	10.0	10.0
Telco	8.1	8.2
Recreation	<u>8.9</u>	<u>10.5</u>
Average	9.1	9.5

# ESTIMATES OF THE COST OF CAPITAL FOR CABLE TELEVISION SYSTEMS

	Conventional Approach			Pre-Tax Overall Approach
<u>Group</u>	After-Tax Cost of Common Equity	1992 Debt Cost for Group	Pre-Tax Cost of Capital <sup>1</sup>	Pre-Tax Cost of Capital
Preferred	16.54	9.1	18.33	19.91
Alternative	15.98	9.5	18.07	19.45

<sup>1</sup> Calculated assuming a 50 percent debt/50 percent equity capital structure and a 40 percent corporate tax rate.

## RANGE OF PRE-TAX OVERALL COST OF CAPITAL ESTIMATES FOR CABLE TELEVISION SYSTEMS

	Results Generated Using Cost of Common Approach			Results Generated Using Overall Cost of Capital Method		
<u>Group</u>	<u>Low</u>	<u>Recommend</u>	<u>High</u>	<u>Low</u>	<u>Recommend</u>	<u>High</u>
Preferred	17.5	18.3	19.1	17.7	19.9	22.2
Alternate	17.0	18.1	19.1	17.1	19.4	21.8

## LIST OF EXHIBITS

- Exhibit 1: Cable Television Industry Financial Statistics
- Exhibit 2: Financial Statistics for a Sample of 70 S&P Industrials with Risk Characteristics Similar to the Cable Television Industry
- Exhibit 3: Financial Statistics for the Value Line Telecommunications Companies:  
1) All Value Line Telecommunications Companies  
2) The Seven RBHCs and the Five Major Independents
- Exhibit 4: Financial Statistics for the Value Line Broadcast Companies
- Exhibit 5: Financial Statistics for the Value Line Recreation Industry Companies  
1) All Value Line Recreation Companies  
2) All Value Line Recreation Companies  
Excluding Time-Warner and Gaylord  
3) Value Line Home and Local Leisure and Vacation/Resort  
Companies Excluding Time-Warner and Gaylord  
4) Value Line Home and Local Leisure Companies  
Excluding Time-Warner and Gaylord
- Exhibit 6: Summary of Key Financial Statistics for the Groups



**EXHIBIT 1**

**CABLE TELEVISION INDUSTRY**  
**FINANCIAL STATISTICS**

**VOLATILITY MEASURES FOR THE FIVE VALUE LINE  
CABLE TELEVISION COMPANIES**

<u>COMPANY</u>	<u>ADJUSTED BETA</u>	<u>UNADJ. BETA</u>	<u>RESIDUAL STD DEV</u>
CABLEVISION SYS. 'A'	1.35	1.46	5.0447
COMCAST CORP.	1.55	1.81	4.3201
MULTIMEDIA, INC.	0.90	0.79	3.3888
TELE-COMMUNIC. 'A'	1.55	1.82	3.7747
VIACOM INC. 'A'	1.15	1.17	4.2178
Average	1.30	1.41	4.1492
Beta Range (+/- 3 Standard Deviations)	0.98	1.84	
Residual Standard Deviation Range (+/- 3 Standard Deviations)	3.6033	4.6951	

**AVERAGE DEBT COST AND PRE-TAX OVERALL RATE OF RETURN  
FOR THE FIVE VALUE LINE CABLE TELEVISION COMPANIES**

	<u>Cost of Debt</u>	<u>Rate of Return</u>
1992	8.5%	10.9%
1991	10.6	12.4
1990	11.3	13.4
1989	12.6	18.6
1988	11.9	14.9
Average	11.0%	14.0%

**FIVE-YEAR FORECASTED PRETAX OVERALL RATE OF RETURN FOR  
THE FIVE VALUE LINE CABLE TV COMPANIES(1)**

	<u>Net Profit</u>	<u>Income Tax Rate</u>	<u>L-T Debt</u>	<u>Net Worth</u>	<u>Percent Earned Total Capital</u>	<u>Pre-Tax Net Profit(2)</u>	<u>Interest Expense(3)</u>	<u>Forecasted Pretax Overall Rate of Return(4)</u>
CABLEVISION SYS. 'A'	(\$45)	0.0%	\$1,500	(\$1,710)	0.0%	(\$45)	\$45	NMF
COMCAST CORP.	100	36.0	3,000	(930)	12.0	156	148	14.7%
MULTIMEDIA, INC.	130	40.0	600	215	19.5	217	29	30.2%
TELE-COMMUNIC. 'A'	1,010	40.0	4,000	4,715	14.0	1,683	210	21.7%
VIACOM INC. 'A'	360	40.0	1,400	2,140	12.0	600	65	18.8%
Average								21.4%

- Notes: (1) The Value Line Cable TV Companies are a subset of the Value Line Investment Survey Broadcasting/Cable TV Industry  
(2) Pretax Net Profit equals Net Profit divided by one, minus Income Tax Rate  $(NP/(1-T))$ .  
(3) Interest Expense equals Percent Earned Total Capital times the sum of L-T Debt and Net Worth minus Net Profit  $(\%TC \times (LTD+NW) - NP)$ .  
(4) Forecasted Pretax Overall Rate of Return equals the sum of Pretax Net Profit, plus Interest Expense divided by the sum of L-T Debt and Net Worth  $((PTNP+IE)/(LTD+NW))$ .

**EXHIBIT 2**

**FINANCIAL STATISTICS FOR A SAMPLE OF 70 S&P INDUSTRIALS  
WITH RISK CHARACTERISTICS SIMILAR  
TO THE CABLE TELEVISION INDUSTRY**

**HISTORICAL CAPITAL STRUCTURE, COST OF DEBT, RATE OF RETURN  
ON COMMON EQUITY AND PRETAX OVERALL RATE OF RETURN FOR THE  
GROUP OF 70 INDUSTRIAL COMPANIES (1)**

	1992	1991	1990	1989	1988	5YEAR AVERAGE
<hr/>						
CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	34.0%	34.5%	32.3%	32.9%	32.8%	33.3%
PREFERRED STOCK	1.9	1.9	2.6	2.7	2.7	2.4
COMMON EQUITY	64.1	63.6	65.1	64.4	64.5	64.3
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
	=====	=====	=====	=====	=====	=====
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT TERM	36.5%	37.8%	35.5%	36.2%	35.5%	36.3%
PREFERRED STOCK	1.9	1.8	2.5	2.5	2.6	2.3
COMMON EQUITY	61.6	60.4	62.0	61.3	61.9	61.4
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
	=====	=====	=====	=====	=====	=====
COST OF DEBT	9.5%	10.5%	11.5%	11.4%	10.8%	10.7%
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	9.5%	9.3%	13.4%	18.4%	21.8%	14.5%
PRETAX OVERALL RATE OF RETURN	15.2%	15.2%	19.0%	21.6%	24.8%	19.2%

NOTE: (1) THE GROUP OF 70 INDUSTRIAL COMPANIES IS A SUBSET OF THE S&P INDUSTRIALS COMPANIES WITH AN UNADJUSTED BETA EQUAL TO OR GREATER THAN 0.98 AND EQUAL TO OR LESS THAN 1.84 WITH RESIDUAL STANDARD DEVIATION EQUAL TO OR GREATER THAN .6033 AND EQUAL TO OR LESS THAN 4.6951 HAVE BEEN INCLUDED IN THIS ANALYSIS.

SOURCE OF INFORMATION: STANDARD & POOR'S COMPUSTAT SERVICES, INC., COMPUSTAT II

**RATE OF RETURN ON NET WORTH FOR A COMPARABLE GROUP OF S&P INDUSTRIAL COMPANIES (1)**

COMPANY	ADJUSTED BETA	UNADJ. BETA	RESIDUAL STD DEV	Rate of Return on Net Worth					5-year Average	1996-1998 Projected
				1988	1989	1990	1991	1992		
ALBERTO CULVER 'B'	1.05	1.04	3.7396	18.3%	18.4%	15.2%	12.1%	13.5%	15.5%	15.5%
ALZA CORP.	1.50	1.71	4.2585	10.6	10.1	11.2	11.7	17.7	12.3	22.0
AMAX INC.	1.25	1.33	3.8601	27.0	18.0	10.2	1.4	NMF	14.2	11.5
ARMSTRONG WORLD INDS	1.20	1.28	3.9921	15.9	15.7	12.9	6.8	11.1	12.5	18.5
ASARCO INC.	1.10	1.12	3.7079	15.6	16.5	13.3	3.5	2.9	10.4	10.0
AVON PRODUCTS	1.30	1.38	4.1150	50.6	66.8	49.6	NMF	NMF	55.7	46.5
BARD (C.R.)	1.25	1.37	4.2452	24.0	19.6	11.8	15.6	19.1	18.0	21.5
BETHLEHEM STEEL	1.40	1.53	4.4880	27.6	17.5	5.8	NMF	NMF	17.0	33.5
BOISE CASCADE	1.00	0.99	3.7812	17.2	17.0	4.8	NMF	NMF	13.0	8.5
BROWNING-FERRIS INDS	1.35	1.48	3.7456	21.7	21.1	25.7	19.9	12.0	20.1	17.0
BRUNSWICK CORP.	1.30	1.39	4.3503	19.2	1.8	4.1	NMF	4.8	7.5	15.5
CENTEX CORP.	1.20	1.26	3.9648	10.4	13.8	9.0	6.7	10.0	10.0	14.5
CHRYSLER	1.30	1.38	4.6716	15.1	4.4	1.0	NMF	6.3	6.7	26.5
CLARK EQUIPMENT	1.20	1.30	3.6712	10.8	13.2	7.9	NMF	NMF	10.6	15.0
CUMMINS ENGINE	1.00	1.00	3.7430	NMF	NMF	NMF	NMF	13.4	13.4	17.0
CYPRUS MINERALS	1.10	1.13	4.4530	14.1	18.1	13.6	5.8	10.0	12.3	15.5
DIGITAL EQUIPMENT	1.15	1.15	4.3891	17.4	13.3	6.4	5.1	NMF	10.6	15.5
DOW JONES & CO.	1.05	1.01	3.6863	13.8	10.9	7.4	5.0	8.7	9.2	12.5
DRESSER IND.	1.20	1.25	3.9546	8.2	10.2	9.9	7.9	12.6	9.8	20.5
ECOLAB INC.	1.00	0.98	4.0129	10.2	0.6	11.9	18.7	18.7	12.0	22.0
FLEETWOOD ENTERPRISE	1.30	1.41	4.0575	17.6	13.0	7.1	8.6	12.0	11.7	14.0
FLUOR CORP.	1.40	1.54	3.8659	9.4	13.8	16.1	12.3	15.4	13.4	19.5
FOSTER WHEELER	1.40	1.57	4.0254	5.1	6.6	7.4	8.0	11.8	7.8	18.5
GAP (THE), INC.	1.35	1.47	4.6909	26.9	30.8	31.0	33.9	23.7	29.3	21.0
GEORGIA-PACIFIC	1.30	1.39	4.1418	17.7	24.3	12.3	NMF	NMF	18.1	16.5
GIDDINGS & LEWIS	1.40	1.60	4.4198	6.7	14.9	13.7	7.8	10.9	10.8	12.5
GOODRICH (B.F.)	1.10	1.09	3.9017	18.0	13.3	6.6	NMF	NMF	12.6	17.0
GOODYEAR TIRE	1.05	1.04	3.9385	17.7	13.8	NMF	1.1	19.0	12.9	16.5
HARNISCHFEGGER INDS.	1.20	1.29	3.8773	7.1	10.5	12.0	10.9	9.6	10.0	15.0
HARRIS CORP.	1.20	1.28	3.6481	10.1	12.3	12.1	9.0	8.2	10.3	10.5
HASBRO, INC.	1.20	1.30	3.6681	10.3	11.5	10.3	12.8	16.2	12.2	14.0
HEWLETT-PACKARD	1.30	1.41	3.9401	18.0	15.2	11.6	10.4	11.7	13.4	15.0
HILTON HOTELS	1.30	1.41	4.3183	16.1	12.5	12.2	8.8	10.4	12.0	14.0
IMCERA GROUP	1.20	1.25	3.7014	6.4	7.9	6.8	9.0	10.5	8.1	12.0
INLAND STEEL	1.20	1.24	4.0163	16.0	7.7	NMF	NMF	NMF	11.9	30.0
INTEL CORP.	1.30	1.44	4.6808	21.8	17.4	18.1	18.0	19.8	19.0	19.5
KING WORLD PRODUCTION	1.25	1.33	3.8581	--	117.5	57.4	38.6	27.7	60.3	25.0
KROGER CO.	1.55	1.79	4.3052	--	--	--	19.0	NMF	19.0	NMF
LIMITED INC.	1.50	1.73	3.9035	25.9	28.0	25.5	21.5	20.1	24.2	23.5
LIZ CLAIBORNE	1.50	1.74	4.4551	24.1	26.9	28.9	24.5	21.9	25.3	18.5
LOUISIANA-PACIFIC	1.20	1.23	3.7095	11.9	16.4	7.8	4.6	13.0	10.7	16.0
MANOR CARE	1.10	1.11	4.2604	12.0	10.4	12.0	13.1	15.6	12.6	16.5
MATTEL, INC.	1.35	1.51	4.4154	27.4	41.9	27.8	26.9	27.4	30.3	26.0
MAYTAG CORP.	1.15	1.16	4.4819	27.0	14.0	9.7	9.1	11.0	14.2	20.0
MCDERMOTT INT'L	1.15	1.20	4.4704	NMF	NMF	NMF	11.4	6.5	9.0	18.5
MILLIPORE CORP.	1.15	1.15	3.6800	14.9	12.5	12.7	12.6	9.4	12.4	13.0

**RATE OF RETURN ON NET WORTH FOR A COMPARABLE GROUP OF S&P INDUSTRIAL COMPANIES (1) (CONTINUED)**

COMPANY	ADJUSTED BETA	UNADJ. BETA	RESIDUAL STD DEV	Rate of Return on Net Worth					5-year Average	1996-1998 Projected
				1988	1989	1990	1991	1992		
NATIONAL MEDICAL ENT.	1.25	1.36	3.9294	17.7	17.4	19.2	15.7	15.1	17.0	14.5
NEWELL CO.	1.25	1.35	4.0851	15.3	18.7	18.9	18.5	19.0	18.1	19.0
NORDSTROM, INC.	1.45	1.64	4.5328	19.3	15.7	14.0	14.5	13.4	15.4	13.5
NORTHROP CORP.	1.05	1.04	4.5251	NMF	NMF	13.7	15.1	9.6	12.8	12.0
PEP BOYS	1.25	1.32	3.9685	13.7	11.2	10.9	10.3	10.7	11.4	14.5
PHELPS DODGE	1.25	1.32	3.7189	25.1	37.3	27.0	14.7	13.4	23.5	20.5
PITTSTON	1.05	1.06	3.9982	8.4	4.2	8.7	14.2	14.4	10.0	18.5
POLAROID CORP.	1.10	1.13	4.3620	NMF	30.8	27.1	17.2	12.2	21.8	15.5
PREMARK INT'L	1.10	1.08	4.2252	14.1	9.8	10.0	12.2	16.3	12.5	14.5
PRICE CO.	1.15	1.22	4.2562	19.8	21.9	20.3	17.6	16.1	19.1	11.0
ROLLINS ENVIRONMENTAL	1.35	1.49	4.6251	21.1	13.7	17.5	14.4	15.5	16.4	14.5
RUSSELL CORP.	1.20	1.29	3.8457	15.3	15.9	14.7	11.2	14.4	14.3	14.0
RYAN'S FAMILY	1.20	1.24	4.6915	18.3	16.9	15.8	13.2	13.5	15.5	15.5
SAFETY-KLEEN	1.20	1.24	3.7744	17.8	17.6	12.8	11.1	10.8	14.0	14.5
SPRINGS INDS.	1.25	1.35	4.0893	11.8	11.1	6.6	4.8	7.6	8.4	14.0
STRIDE RITE CORP.	1.30	1.42	4.5887	25.9	27.7	30.6	27.4	26.8	27.7	21.0
ST. JUDE MEDICAL	1.55	1.81	4.1834	25.8	27.4	25.4	24.4	23.7	25.3	19.0
TEXAS INSTRUMENTS	1.35	1.52	4.1461	16.3	12.6	0.0	NMF	13.0	10.5	14.5
TIME WARNER	1.25	1.32	3.6790	21.3	NMF	NMF	NMF	1.1	11.2	22.5
TJX COMPANIES	1.40	1.59	4.6023	11.5	33.1	27.4	26.9	20.6	23.9	22.0
TRINOVA CORP.	1.20	1.30	4.1064	12.2	5.1	7.1	NMF	4.1	7.1	16.5
V.F. CORP.	1.25	1.36	3.7553	16.8	21.5	12.8	17.1	20.3	17.7	17.0
WENDY'S INT'L	1.05	1.04	3.9206	6.8	5.5	8.6	10.8	12.2	8.8	16.5
ZURN INDS.	1.30	1.42	3.6941	11.7	12.4	12.3	8.1	10.5	11.0	12.5
Average	1.24	1.32	4.0938	16.9%	18.3%	14.9%	13.5%	13.8%	15.7%	17.5%

Note: (1) S&P Industrial Companies with an unadjusted beta equal to or greater than 0.98 and equal to or less than 1.84 with residual standard deviation equal to or greater than 3.6033 and equal to or less than 4.6951 have been included in this analysis.



**FIVE-YEAR FORECASTED PRETAX OVERALL RATE OF RETURN FOR  
THE GROUP OF 70 S&P INDUSTRIAL COMPANIES (1)**

Company	Net Profit	Income Tax Rate	L-T Debt	Net Worth	Percent Earned Total Capital	Pretax Net Profit(2)	Interest Expense(3)	Forecasted Pretax Overall Rate of Return(4)
ALBERTO CULVER 'B'	\$85	36.0%	\$45	\$540	15.0%	\$133	\$3	23.2%
ALZA CORP.	310	36.0	340	1,420	18.5	484	16	28.4%
AMAX INC.	315	32.0	1,550	2,750	8.5	463	51	12.0%
ARMSTRONG WORLD INDS	190	40.0	620	1,080	13.5	317	40	21.0%
ASARCO INC.	160	25.0	800	1,600	7.5	213	20	9.7%
AVON PRODUCTS	455	41.0	120	980	42.0	771	7	70.7%
BARD (C.R.)	150	30.0	67	700	20.0	214	3	28.3%
BETHLEHEM STEEL	575	20.0	600	1,725	26.0	719	30	32.2%
BOISE CASCADE	115	37.0	1,950	1,375	6.0	183	85	8.1%
BROWNING-FERRIS INDS	415	40.0	1,550	2,420	11.5	692	42	18.5%
BRUNSWICK CORP.	190	39.0	425	1,235	12.5	311	18	19.8%
CENTEX CORP.	155	36.0	185	1,060	13.0	242	7	20.0%
CHRYSLER	2,625	36.0	15180	9880	13.0	4,102	633	18.9%
CLARK EQUIPMENT	75	40.0	180	500	12.0	125	7	19.4%
CUMMINS ENGINE	265	34.0	710	1,555	13.0	402	29	19.0%
CYPRUS MINERALS	250	30.0	350	1,635	13.5	357	18	18.9%
DIGITAL EQUIPMENT	930	30.0	1,300	5,975	13.5	1,329	52	19.0%
DOW JONES & CO.	255	43.0	100	2,035	12.5	447	12	21.5%
DRESSER IND.	345	40.0	400	1,660	17.5	575	16	28.7%
ECOLAB INC.	140	34.0	120	640	19.5	212	8	28.9%
FLEETWOOD ENT	125	38.0	0	890	14.0	202	0	22.7%
FLUOR CORP.	375	38.0	60	1,930	19.5	605	13	31.1%
FOSTER WHEELER	120	40.0	385	655	12.5	200	10	20.2%
GAP (THE), INC.	490	38.0	0	2,345	21.0	790	0	33.7%
GEORGIA-PACIFIC	620	40.0	3,610	3,715	11.0	1,033	186	16.6%
GIDDINGS & LEWIS	88	35.0	110	700	11.5	135	5	17.3%
GOODRICH (B.F.)	150	36.0	375	900	13.5	234	22	20.1%
GOODYEAR TIRE	680	40.0	570	4,190	15.0	1,133	34	24.5%
HARNISCHFEGGER INDS.	125	34.0	215	840	13.5	189	17	19.5%
HARRIS CORP.	165	36.0	575	1,550	9.0	258	26	13.4%
HASBRO, INC.	315	39.0	150	2,255	13.5	516	10	21.9%
HEWLETT-PACKARD	1,955	34.0	425	13,250	14.5	2,962	28	21.9%
HILTON HOTELS	215	32.0	900	1,535	10.0	316	29	14.2%
IMCERA GROUP	235	37.0	450	1,975	10.5	373	20	16.2%
INLAND STEEL	270	35.0	700	900	18.0	415	18	27.1%
INTEL CORP.	2,645	36.0	600	13,590	19.0	4,133	51	29.5%
KING WORLD PRODUCTIO	130	40.0	0	525	25.0	217	0	41.3%
KROGER CO.	445	41.0	2,665	(705)	29.0	754	123	44.7%
LIMITED INC.	1,370	41.0	540	5,890	21.5	2,322	12	36.3%
LIZ CLAIBORNE	385	37.0	0	2,060	18.5	611	0	29.7%
LOUISIANA-PACIFIC	385	38.0	180	2,420	15.0	621	5	24.1%
MANOR CARE	115	38.0	575	690	16.5	185	94	22.1%

**FIVE-YEAR FORECASTED PRETAX OVERALL RATE OF RETURN FOR  
THE GROUP OF 70 S&P INDUSTRIAL COMPANIES (1) (CONTINUED)**

Company	Net Profit	Income Tax Rate	L-T Debt	Net Worth	Percent Earned Total Capital	Pretax Net Profit(2)	Interest Expense(3)	Forecasted Pretax Overall Rate of Return(4)
MATTEL, INC.	285	35.0	350	1,075	21.0	438	14	31.7%
MAYTAG CORP.	200	40.0	720	1,010	13.5	333	34	21.2%
MCDERMOTT INT'L	210	30.0	640	1,125	13.0	300	19	18.1%
MILLIPORE CORP.	100	22.5	60	755	12.0	129	(2)	15.6%
NATIONAL MEDICAL ENT.	340	41.0	1,085	2,370	11.0	576	40	17.8%
NEWELL CO.	330	40.0	250	1,725	17.5	550	16	28.7%
NORDSTROM, INC.	255	38.5	500	1,870	11.5	415	18	18.3%
NORTHROP CORP.	235	34.0	0	1,940	12.0	356	0	18.4%
PEP BOYS	135	35.0	300	930	11.0	208	0	16.9%
PHELPS DODGE	640	34.0	366	3,115	19.0	970	21	28.5%
PITTSTON	110	36.5	70	600	17.0	173	4	26.4%
POLAROID CORP.	215	40.0	500	1,380	12.5	358	20	20.1%
PREMARK INT'L	190	36.0	325	1,320	12.5	297	16	19.0%
PRICE CO.	225	40.0	100	2,050	11.0	375	12	18.0%
ROLLINS ENVIRONMENTAL	51	37.0	5	350	14.5	81	1	23.1%
RUSSELL CORP.	150	37.0	200	1,065	12.5	238	8	19.4%
RYAN'S FAMILY	70	37.0	0	450	15.5	111	0	24.7%
SAFETY-KLEEN	110	39.0	315	765	11.5	180	14	18.0%
SPRINGS INDS.	109	40.0	215	800	12.0	182	13	19.2%
STRIDE RITE CORP.	140	39.0	0	670	21.0	230	0	34.3%
ST. JUDE MEDICAL	200	26.0	0	1,050	19.0	270	0	25.7%
TEXAS INSTRUMENTS	490	35.0	1,400	3,405	11.0	754	39	16.5%
TIME WARNER	700	49.0	14,000	3,080	7.5	1,373	581	11.4%
TJX COMPANIES	240	40.0	250	1,080	20.5	400	33	32.6%
TRINOVA CORP.	78	42.0	220	475	12.5	134	9	20.6%
V.F. CORP.	455	38.5	1,000	2,665	13.0	740	21	20.8%
WENDY'S INT'L	155	36.0	300	950	13.5	242	14	20.5%
ZURN INDS.	47	38.0	10	380	12.5	76	2	20.0%
Average								23.1%

- Notes:
- (1) S&P Industrial Companies with an unadjusted beta equal to or greater than 0.98 and equal to or less than 1.84 with residual standard deviation equal to or greater than 3.6033 and equal to or less than 4.6951 have been included in this analysis
  - (2) Pretax Net Profit equals Net Profit divided by one, minus Income Tax Rate ( $NP/(1-T)$ ).
  - (3) Interest Expense equals Percent Earned Total Capital times the sum of L-T Debt and Net Worth minus Net Profit ( $\%TC \times (LTD+NW) - NP$ ).
  - (4) Forecasted Pretax Overall Rate of Return equals the sum of Pretax Net Profit, plus Interest Expense divided by the sum of L-T Debt and Net Worth ( $(PTNP+IE)/(LTD+NW)$ ).

**EXHIBIT 3**

**FINANCIAL STATISTICS FOR THE  
VALUE LINE TELECOMMUNICATIONS COMPANIES**

- 1) ALL VALUE LINE TELCOMMUNICATIONS COMPANIES**
- 2) THE SEVEN RBOCS AND THE FIVE MAJOR INDEPENDENTS**

**HISTORICAL CAPITAL STRUCTURE, COST OF DEBT, RATE OF RETURN  
ON COMMON EQUITY AND PRETAX OVERALL RATE OF RETURN FOR THE  
VALUE LINE TELECOMMUNICATIONS SERVICE INDUSTRY (1)**

	1992	1991	1990	1989	1988	5 YEAR AVERAGE
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CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	45.5%	46.8%	46.6%	45.0%	43.5%	45.5%
PREFERRED STOCK	1.6	1.8	1.5	1.7	2.0	1.7
MINORITY INTEREST	0.3	0.3	0.3	0.3	0.2	0.3
COMMON EQUITY	52.6	51.1	51.6	53.0	54.3	52.5
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	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT TERM	48.6%	49.7%	49.5%	46.7%	45.2%	47.9%
PREFERRED STOCK	1.5	1.7	1.4	1.6	1.9	1.6
MINORITY INTEREST	0.3	0.2	0.3	0.3	0.2	0.3
COMMON EQUITY	49.6	48.4	48.8	51.4	52.7	50.2
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	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COST OF DEBT	8.2%	8.2%	8.3%	8.4%	8.9%	8.4%
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	12.8%	9.5%	12.1%	13.2%	14.8%	12.5%
PRETAX OVERALL RATE OF RETURN	14.3%	12.7%	14.1%	14.5%	15.8%	14.3%

NOTE: (1) THE VALUE LINE TELECOMMUNICATIONS COMPANIES ARE PRESENTED IN VALUE LINE INVESTMENT SURVEY, EDITION 5. THE AVERAGES PRESENTED HERE EXCLUDE LONG DISTANCE PHONE CARRIERS (AT&T, LDDS COMMUNICATIONS, MCI, AND SPRINT CORP.) CELLULAR PHONE COMPANIES (LIN BROADCASTING, MCCA W CELLULAR, AND US CELLULAR), AND A SATELLITE TRANSMISSION COMPANY (COMSAT CORP.). CITIZENS UTILITIES HAS ALSO BEEN EXCLUDED BECAUSE ONLY ONE-THIRD OF ITS REVENUE IS DERIVED FROM TELEPHONE SERVICES. LINCOLN TELECOMMUNICATIONS HAS BEEN ADDED DUE TO ITS PENDING INCLUSION IN THE VALUE LINE TELECOMMUNICATIONS SERVICE INDUSTRY GROUP.

SOURCE OF INFORMATION: STANDARD & POOR'S COMPUSTAT SERVICES, INC., TELECOMMUNICATIONS COMPUSTAT II

**RATE OF RETURN ON NET WORTH FOR  
VALUE LINE'S TELECOMMUNICATIONS SERVICE INDUSTRY (1)**

COMPANY	ADJUSTED BETA	UNADJ. BETA	RESIDUAL STD DEV	Rate of Return on Net Worth					5-year Average	1996-1998 Projected
				1988	1989	1990	1991	1992		
ALLTEL Corp.	0.95	0.90	2.5778	16.4%	16.7%	19.0%	17.2%	17.5%	17.4%	21.0%
Ameritech Corp.	0.85	0.71	2.0762	15.3	16.1	16.2	15.2	19.3	16.4	16.5
Bell Atlantic Corp.	0.95	0.86	2.4073	14.3	15.4	14.7	17.0	17.7	15.8	19.0
BellSouth Corp.	0.85	0.73	2.0749	14.1	12.5	12.9	11.5	12.0	12.6	18.5
C-TEC Corp.	1.05	1.06	4.3688	15.5	4.6	NMF	NMF	NMF	10.1	17.5
Century Telephone Enterprises	1.15	1.20	4.1205	13.9	8.6	10.1	11.7	14.9	11.8	16.5
Cincinnati Bell	0.90	0.83	3.7141	15.5	16.4	14.2	10.2	8.2	12.9	19.5
GTE Corp.	0.90	0.83	2.2433	13.7	16.3	15.7	15.0	17.4	15.6	23.5
Lincoln Telecommunications	0.90	0.82	3.7648	17.0	15.5	14.3	15.0	15.3	15.4	14.0
NYNEX Corp.	0.85	0.76	1.9600	14.0	12.1	13.2	12.6	13.5	13.1	14.5
Pacific Telesis Group	0.90	0.83	2.3478	14.7	15.7	14.9	14.3	13.8	14.7	16.5
Rochester Telephone	0.90	0.79	2.8063	14.5	12.7	10.9	10.0	11.6	11.9	12.5
So. New England Tel. Corp.	0.95	0.85	2.4234	13.5	14.1	13.6	12.5	12.7	13.3	14.0
Southwestern Bell Corp.	0.95	0.85	2.2959	12.5	13.1	12.8	13.1	14.0	13.1	18.5
Telephone & Data Systems, Inc	1.40	1.53	3.9913	5.0	3.0	6.1	3.1	2.6	4.0	7.5
U S WEST Inc.	0.90	0.82	1.9535	13.4	13.8	13.0	11.9	14.3	13.3	14.5
Average	0.96	0.90	2.8204	14.0%	12.9%	13.4%	12.7%	13.7%	13.2%	16.5%

Note: (1) Companies excluded from the group include long distance phone carriers (AT&T, LDDS Communications, MCI, and Sprint Corp) cellular phone companies (LIN Broadcasting, McCaw Cellular, and US Cellular), and a satellite transmission company (Comsat Corp.) Citizens Utilities has also been excluded because only one-third of its revenue is derived from telephone services. Lincoln Telecommunications has been added due to its pending inclusion in the Value Line Telecommunications Service Industry group.

**FIVE-YEAR FORECASTED PRETAX OVERALL RATE OF RETURN FOR  
THE VALUE LINE TELECOMMUNICATIONS SERVICE INDUSTRY (1)**

	Net Profit	Income Tax Rate	L-T Debt Ratio	L-T Debt	Total Capital	Percent Earned Total Capital	Pre-Tax Net Profit(2)	Interest Expense(3)	Forecasted Pretax Overall Rate of Return (4)
ALLTEL Corp.	\$490	36.0%	31.5%	\$1,087	\$3,450	15.5%	\$492	\$45	15.6%
Ameritech	1,785	35.0	32.0	5075	15,860	12.5	2,746	198	18.6%
Bell Atlantic Corp.	2,000	35.0	45.5	8777	19,290	12.5	3,077	411	18.1%
BellSouth Corp.	2,400	35.0	34.0	8704	25,600	11.0	3,692	416	16.0%
C-TEC Corp.	22	39.0	65.5	242	370	9.0	36	11	12.7%
Century Telephone Ent	165	35.5	24.5	326	1,330	13.5	256	15	20.4%
Cincinnati Bell	165	33.0	33.5	422	1,260	14.5	246	18	21.0%
GTE Corp.	3,175	35.0	46.5	12685	27,280	13.5	4,885	508	19.8%
Lincoln Telecom.	38	36.5	14.0	45	320	14.0	60	7	20.9%
NYNEX Corp.	1,790	33.0	40.0	8292	20,730	10.5	2,672	387	14.8%
Pacific Telesis Group	1,560	38.5	33.5	4819	14,385	12.0	2,537	166	18.8%
Rochester Telephone	130	38.0	40.5	719	1,775	9.0	210	30	13.5%
So. New England Tel.	210	42.0	43.0	1142	2,655	9.5	362	42	15.2%
Southwestern Bell Corp.	1,955	34.0	41.0	7353	17,935	12.5	2,962	287	18.1%
Telephone & Data Systems	140	36.5	23.0	592	2,575	6.5	220	27	9.6%
U S WEST Inc.	1,645	33.0	41.0	11931	29,100	10.0	2,455	1,265	12.8%
Average									16.6%

- Notes:
- (1) Companies excluded from the group include long distance phone carriers (AT&T, LDDS Communications, MCI, and Sprint Corp), cellular phone companies (LIN Broadcasting, McCaw Cellular, and US Cellular), and a satellite transmission company (Comstat Corp). Citizens Utilities has also been excluded because only one-third of its revenue is derived from telephone services. Lincoln Telecommunications has been added due to its pending inclusion in the Value Line Telecommunications Service Industry group.
  - (2) Pretax Net Profit equals Net Profit divided by one, minus Income Tax Rate (NP/(1-T)).
  - (3) Interest Expense equals Percent Earned Total Capital times the sum of L-T Debt and Net Worth minus Net Profit (%TC x (LTD+NW) - NP).
  - (4) Forecasted Pretax Overall Rate of Return equals the sum of Pretax Net Profit, plus Interest Expense divided by the sum of L-T Debt and Net Worth ((PTNP+IE)/(LTD+NW)).

**HISTORICAL CAPITAL STRUCTURE, COST OF DEBT, RATE OF RETURN  
ON COMMON EQUITY AND PRETAX OVERALL RATE OF RETURN FOR THE  
THE SEVEN RBOCS AND THE FIVE MAJOR INDEPENDENTS**

	1992	1991	1990	1989	1988	5 YEAR AVERAGE
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CAPITAL STRUCTURE RATIOS						
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	43.2%	44.7%	44.3%	42.1%	40.7%	43.0%
PREFERRED STOCK	1.0	1.1	1.3	1.5	1.7	1.3
MINORITY INTEREST	0.3	0.3	0.4	0.4	0.3	0.3
COMMON EQUITY	55.5	53.9	54.0	56.0	57.3	55.4
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100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT TERM	47.0%	48.3%	47.5%	44.1%	42.7%	45.9%
PREFERRED STOCK	0.9	1.0	1.2	1.5	1.7	1.3
MINORITY INTEREST	0.3	0.3	0.4	0.3	0.2	0.3
COMMON EQUITY	51.8	50.4	50.9	54.1	55.4	52.5
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100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
COST OF DEBT	8.1%	8.1%	8.2%	8.3%	8.8%	8.3%
RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY	14.0%	12.0	13.9%	14.5%	15.1%	13.9%
PRETAX OVERALL RATE OF RETURN	14.7%	13.6%	15.1%	15.7%	16.3%	15.1%

SOURCE OF INFORMATION: STANDARD & POOR'S COMPUSTAT SERVICES, INC., TELECOMMUNICATIONS COMPUSTAT II

**RATE OF RETURN ON NET WORTH FOR  
THE SEVEN RBOCS AND THE FIVE MAJOR INDEPENDENTS**

COMPANY	ADJUSTED BETA	UNADJ. BETA	RESIDUAL STD DEV	Rate of Return on Net Worth					5-year Average	1996-1998 Projected
				1988	1989	1990	1991	1992		
Ameritech Corp.	0.85	0.71	2.0762	15.3%	16.1%	16.2%	15.2%	19.3%	16.4%	16.5%
Bell Atlantic Corp.	0.95	0.86	2.4073	14.3	15.4	14.7	17.0	17.7	15.8	19.0
BellSouth Corp.	0.85	0.73	2.0749	14.1	12.5	12.9	11.5	12.0	12.6	18.5
Cincinnati Bell	0.90	0.83	3.7141	15.5	16.4	14.2	10.2	8.2	12.9	19.5
GTE Corp.	0.90	0.83	2.2433	13.7	16.3	15.7	15.0	17.4	15.6	23.5
Lincoln Telecommunications	0.90	0.82	3.7648	17.0	15.5	14.3	15.0	15.3	15.4	14.0
NYNEX Corp.	0.85	0.76	1.9600	14.0	12.1	13.2	12.6	13.5	13.1	14.5
Pacific Telesis Group	0.90	0.83	2.3478	14.7	15.7	14.9	14.3	13.8	14.7	16.5
Rochester Telephone	0.90	0.79	2.8063	14.5	12.7	10.9	10.0	11.6	11.9	12.5
So. New England Tel. Corp.	0.95	0.85	2.4234	13.5	14.1	13.6	12.5	12.7	13.3	14.0
Southwestern Bell Corp.	0.95	0.85	2.2959	12.5	13.1	12.8	13.1	14.0	13.1	18.5
U S WEST Inc.	0.90	0.82	1.9535	13.4	13.8	13.0	11.9	14.3	13.3	14.5
Average	0.90	0.81	2.5056	14.4%	14.5%	13.9%	13.2%	14.2%	14.0%	16.8%

Source of Information: Value Line Investment Survey



**FIVE-YEAR FORECASTED PRETAX OVERALL RATE OF RETURN FOR  
THE SEVEN RBOCS AND THE FIVE MAJOR INDEPENDENTS**

	Net Profit	Income Tax Rate	L-T Debt Ratio	L-T Debt	Total Capital	Percent Earned Total Capital	Pre-Tax Net Profit(1)	Interest Expense(2)	Forecasted Pretax Overall Rate of Return (3)
Ameritech	\$1,785	35.0%	32.0%	\$5,075	\$15,860	12.5%	\$2,746	\$198	18.6%
Bell Atlantic Corp.	2,000	35.0	45.5	8777	19,290	12.5	3,077	411	18.1%
BellSouth Corp.	2,400	35.0	34.0	8704	25,600	11.0	3,692	416	16.0%
Cincinnati Bell	165	33.0	33.5	422	1,260	14.5	246	18	21.0%
GTE Corp.	3,175	35.0	46.5	12685	27,280	13.5	4,885	508	19.8%
Lincoln Telecom.	38	36.5	14.0	45	320	14.0	60	7	20.9%
NYNEX Corp.	1,790	33.0	40.0	8292	20,730	10.5	2,672	387	14.8%
Pacific Telesis Group	1,560	38.5	33.5	4819	14,385	12.0	2,537	166	18.8%
Rochester Telephone	130	38.0	40.5	719	1,775	9.0	210	30	13.5%
So. New England Tel.	210	42.0	43.0	1142	2,655	9.5	362	42	15.2%
Southwestern Bell Corp.	1,955	34.0	41.0	7353	17,935	12.5	2,962	287	18.1%
U S WEST Inc.	1,645	33.0	41.0	11931	29,100	10.0	2,455	1,265	12.8%
Average									17.3%

- Notes: (1) Pretax Net Profit equals Net Profit divided by one, minus Income Tax Rate (NP/(1-T)).  
(2) Interest Expense equals Percent Earned Total Capital times the sum of L-T Debt and Net Worth minus Net Profit (%TC x (LTD+NW) - NP).  
(3) Forecasted Pretax Overall Rate of Return equals the sum of Pretax Net Profit, plus Interest Expense divided by the sum of L-T Debt and Net Worth ((PTNP+IE)/(LTD+NW)).